



Testimony of
Ed Hawthorne

**President, Connecticut AFL-CIO
Member, Recovery For All Coalition**

Finance, Revenue & Bonding Committee
March 3, 2022

SB 21 An Act Concerning A State-Wide Property Tax on Certain Residential Real Property

SB 28 An Act Establishing a Capital Gains Surcharge

SB 29 An Act Concerning the Earned Income Tax Credit

Good morning Senator Fonfara, Representative Scanlon and members of the Finance, Revenue & Bonding Committee. My name is Ed Hawthorne, and I am proud to serve as the President of the Connecticut AFL-CIO, a federation of hundreds of local unions representing more than 200,000 members in the private sector, public sector, and building trades. Our members live and work in every city and town in our state and reflect the diversity that makes Connecticut great. I am also here today to testify as a member of Recovery For All, a statewide coalition of faith, community, and labor organizations united to eliminate systemic inequalities and rebuild a better Connecticut. Thank you for the opportunity to testify in support of SB 21, SB 28 and SB 29.

It is a sad distinction that Connecticut leads the nation in income inequality, leaving the poorest residents to deal with education gaps, health disparities and other hardships. Years of disinvestment have worsened inequities and hampered economic growth. Austerity delayed our recovery from the Great Recession and limited the state's ability to help our most vulnerable residents and communities.

Yet, across Connecticut, regardless of our race, gender, income level or town in which we live, we have all pulled together to navigate the pandemic and its ensuing financial devastation. Now, as the virus recedes and our state coffers are full, it's time to finally provide relief to our most vulnerable residents. It needs to be more than a feel good, election year tax cut. We must rebuild our public services - not just to deliver much needed immediate assistance, but to strengthen our communities for the long-term by eliminating the disparities that create inequality. No one in Connecticut, the wealthiest state in the nation, should be forced to live in constant survival mode.

The 2014 state tax incidence analysis shows that the bottom 50% of Connecticut taxpayers contribute 23.6% of their income, whereas those in the top 1% contribute a mere 7.5%. That top 1% has continued to do very well since 2014. Since the start of the pandemic, Connecticut's 13 billionaires seized \$13.7 billion in additional wealth – adding on average \$1 billion each – while hundreds of thousands of working people, especially working people of color, saw their lives upended.

The ultra-wealthy have been allowed to rig the rules in their favor and profit from others' work while refusing to contribute at the same levels we all pay to fund schools, higher education, infrastructure, healthcare programs, and other vital public services upon which we all rely. This must stop. We must

join together to create a sustainable recovery, but we can't do it alone on federal funds that will soon expire. The unmet need is too great.

SB 29 would begin a Recovery For All by providing immediate and permanent relief to those who need it most. A permanent expansion of the EITC should be coupled with a child tax credit to help bring working families out of poverty and give them a fighting chance to make ends meet, provide for their children and save for a rainy day.

SB 21 and 28 would ask high income earners to share the responsibility of building a strong economy. They are important, common sense measures, but we should also raise marginal rates on households with incomes over \$1 million. Those resources will go a long way to revitalizing and expanding programs and services that build equity. It would create a vibrant Connecticut where everyone can thrive.

Many low-wage earners are also essential workers who've been on the frontlines of the pandemic, treating our sick and keeping our economy moving. They deserve the pandemic hazard pay that the U.S. Treasury Department deemed an appropriate use of American Rescue Plan Act funds. The state of Connecticut has permission and the resources to recognize their sacrifices. We hope it will find the will. Essential workers will most likely spend that pandemic hazard pay on groceries, gasoline and other essentials, giving local businesses their custom and giving the state a sales tax windfall.

Lastly, we should be asking mega-profitable corporations to do more. Increasing the current corporate income tax surcharge from 10% to 20% and increasing the business tax on corporations whose gross income is \$100 million or greater from 7.5% to 11.5%, would generate between \$250 million to \$300 million. Huge tech companies like Google, Facebook, and Amazon maximize their profits by surveilling, collecting, and reselling user data to target online advertising. A 10% tax on digital advertising on any company with income over \$10 billion would generate approximately \$140 million annually. Connecticut can be friendly to industry without shortchanging the people who have lived here for generations.

The proposals we offer aren't "broad based" tax increases as some may argue. On the contrary, they are narrowly focused proposals that restore fairness to fund essential services and expand the beneficiaries of economic recovery.

Last year, my predecessor, Sal Luciano, testified before you on this subject. He said then that Connecticut's deepest crisis, its profound inequality, would not disappear with a vaccine. He was right. Today Connecticut has among the highest COVID-19 vaccination rates in the country, but our systemic racial and economic inequities remain. Some have even worsened.

This Committee took decisive action last session with your brave and historic revenue package. It would have provided relief, added fairness and allowed for significant investments in programs and services that build equity. Unfortunately, your efforts were thwarted at the budget negotiations table. I urge you to have the courage to follow that path again by passing SB 21, SB 28 and SB 29 with the progressive measures I've outlined in my testimony. Recovery For All stands ready to assist you in any way we can.

Thank you for the opportunity to testify.